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No. 97-311

IN THE
Supreme Court of the United States
OCTOBER TERM, 1997

GILBARCO INC.,
Petitioner,

— v. —

OCTEL COMMUNICATIONS CORP.,
Respondent.

ON PETITION FOR WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

REPLY OF THE PETITIONER

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TABLE OF CONTENTS

TABLE OF CONTENTS i

TABLE OF AUTHORITIES ii

REPLY OF THE PETITIONER 1

I. There Was Substantial Evidence of Dr. Lotito's Good Faith 2

II. Allegations of Wrongful Intent May Be Rebutted Without Testimony from the Alleged Wrongdoer 4

CONCLUSION 7

TABLE OF AUTHORITIES

Cases	*Page(s)*
Allied Colloids Inc. v. American Cyanamid Co., 64 F.3d 1570 (Fed. Cir. 1995)	6
Anderson v. Liberty Lobby, Inc., 477 U.S. 242 (1986)	6
Austin v. Marco Dental Products, Inc., 560 F.2d 966 (9th Cir. 1977)	2
Hardin v. Pitney-Bowes, Inc., 451 U.S. 1008 (1981)	6
Harlow v. Fitzgerald, 457 U.S. 800 (1982)	6
Hutchinson v. Proxmire, 443 U.S. 111 (1979)	6
Paragon Podiatry Lab., Inc. v. KLM Labs., Inc., 984 F.2d 1182 (Fed. Cir. 1993)	5
Poller v. Columbia Broadcasting System, 368 U.S. 464 (1962)	6
Robotic Vision Systems, Inc. v. View Engineering, Inc., 112 F.3d 1163 (Fed. Cir. 1997)	3

Page(s)

Warrior Tombigbee Transp. Co., Inc. v. M/V Nan Fung, 695 F.2d 1294 (11th Cir. 1983) 5

White Motor Co. v. United States, 372 U.S. 253 (1963) 6

Other Authorities

10A Charles Alan Wright et al., Federal Practice and Procedure § 2730, p. 238 (2d ed. 1983) 5

REPLY OF THE PETITIONER

Octel's Brief in Opposition obscures the issue actually before the Court. The courts below declared Gilbarco's pioneering voice mail patent unenforceable based upon the district court's finding, made on summary judgment, that one of the inventors, Dr. Lotito, made a false declaration to the PTO with intent to deceive:

> Dr. Lotito swore that he was not aware that a sale of the claimed invention had occurred more than one year prior to the '081 application. This statement is simply false and there can be no "good faith" defense to such statement since Dr. Lotito had intimate knowledge of the proposed sale from the outset.

Appendix at 11a. The court made this finding in the face of substantial evidence that Dr. Lotito believed his declaration to be true.

Octel does not come to grips with the lower courts' obvious and improper departure from this Court's summary judgment teachings. Instead, Octel fills its brief with factual allegations pertaining to the materiality of certain prior art -- allegations that, in the end, played no role in the district court's finding of deceptive intent. These allegations, at this stage of the case, are nothing more than red herrings.

On the issue actually presented by the case, Octel in effect argues that the district court was entitled to weigh the evidence like a jury and to refuse to draw reasonable inferences from the evidence favorable to Gilbarco. Br. in Opp. at 10, 17-18. Octel claims this novel approach to summary judgment was warranted because there was no evidence from Dr. Lotito showing his good faith. Br. in Opp. at 2. That claim is wrong, but it highlights the "certworthiness" of the case. There is and

should be no special rule permitting wrongful intent to be found on summary judgment in the face of substantial evidence supporting inferences to the contrary, merely because there was no testimony directly and explicitly addressed to the declarant's state of mind. Resolving questions of intent will *always* require choosing between conflicting inferences, and evaluating the credibility of witnesses. Indeed, it is for this very reason that summary judgment on issues involving intent is so rarely appropriate, as this Court has frequently observed.

I. There Was Substantial Evidence of Dr. Lotito's Good Faith

There was substantial evidence that Dr. Lotito did not intend to deceive the PTO. Dr. Lotito himself gave clear and unambiguous deposition testimony that he did not offer a product for sale before the critical date because he "didn't have any product to offer." *A8504; see also A8499-501*. From this testimony, it is reasonable to infer that Dr. Lotito believed that the statement in his declaration that the patented invention had not been "on sale" was true.[1]

There was also the testimony of Ms. Donaldson that the writing of the software code for the patented invention had just

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[1] Octel points out that in 1987 the Federal Circuit held that an invention may be "offered for sale," within the meaning of the patent laws, before it is reduced to practice. Br. in Opp. at 6. But that has no bearing on the issue of intent. In 1982, at the time Dr. Lotito submitted his declaration, a reduction to practice was required in order for a product to be "on sale." *Austin v. Marco Dental Products, Inc.*, 560 F.2d 966, 970 (9th Cir. 1977), and Dr. Lotito believed that Delphi "didn't have any product to offer" at that time. *A8504; see also A8499-501*.

"barely begun" as of the critical date, *A3674*, and that a significant amount of coding was still being done right before the May 1982 trade show. *A3676-77*. This evidence shows that the patented invention was not operable until May 1982,[2] from which it is also reasonable to infer that Dr. Lotito believed that the patented invention was not complete and thus not "on sale" before that date.[3]

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[2] In arguing that the patented invention was complete before November 30, 1981, Octel relies heavily on the statement in the SPCC Proposal that delivery of a system to SPCC would be scheduled for September 1981 if a "firm order" was received by March 1, 1981. Br. in Opp. at 6; *A1294*. However, all this statement shows is that Delphi believed it would be able to build a system by September 1981 *if it received a "firm order" from SPCC*. Since it did not receive such an order, the system was not completed before the critical date.

[3] That Dr. Lotito could reasonably have believed that the patented invention was not "on sale" before the critical date is illustrated by the recent decision in *Robotic Vision Systems v. View Engineering, Inc.*, 112 F.3d 1163 (Fed. Cir. 1997). In that case, the Federal Circuit held that a computerized system for inspecting semiconductor chips could not have been "on sale" until software used in the system was "workable," because the software was "necessary for the operation of the invention" even though it was not claimed. *Id.* at 1167. Similarly, here the software necessary for the operation of the patented invention was not workable until well after the critical date, and thus Dr. Lotito could reasonably have believed that the invention was not "on sale" at that time.

Thus, contrary to Octel's assertions, there clearly was substantial evidence that Dr. Lotito did not have the requisite intent to deceive the PTO. Unfortunately, the district court refused to consider this evidence, because it believed that "there can be no 'good faith' defense." Appendix at 11a. This categorical refusal to consider the evidence supporting Gilbarco was clear error, and warrants reversal.

II. Allegations of Wrongful Intent May Be Rebutted Without Testimony from the Alleged Wrongdoer

Octel points out that Gilbarco's refusal to waive the attorney-client privilege precluded Dr. Lotito from testifying directly concerning his good faith. Br. in Opp. at 11. Octel argues that the absence of such testimony was fatal. *Id.* at 13. However, the necessary implication of this argument is that the only "evidence" which is sufficient to avoid summary judgment that a party acted with a wrongful intent is testimony from the alleged wrongdoer himself that he actually acted in good faith. That is the evidence which Octel claims is "missing" here due to the assertion of privilege.

The rule propounded by Octel, and followed by the courts below, is perverse: it would force all patent owners to waive the attorney-client privilege in order to avoid summary judgment of inequitable conduct. This clearly should not be the law. As Octel itself asserts, one can establish deceptive intent based solely on reasonable inferences drawn from the record. Br. in Opp. at 9. In the same way, one should be permitted to establish good faith based on circumstantial evidence. Simply

stated, direct testimony is not a prerequisite to a finding of good faith.[4]

Indeed, the resolution of intent-based issues will always require drawing inferences from the record. "[D]etermination of someone's state of mind usually entails the drawing of factual inferences as to which reasonable men might differ -- a function traditionally left to the jury." 10A Charles Alan Wright et al., Federal Practice and Procedure § 2730, p. 238 (2d ed. 1983). Where the permissible inferences are conflicting, as is often the case, summary judgment is inappropriate.

This is true even where the parties do not dispute the historical facts, but disagree only about the inferences to be drawn from those facts. *Warrior Tombigbee Transp. Co., Inc. v. M/V Nan Fung*, 695 F.2d 1294 (11th Cir. 1983). However, this does not mean that different standards apply in deciding whether summary judgment on an intent-based issue is appropriate, but only that it is more difficult to meet those standards when intent is involved, as this Court has often

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[4] Not only is direct testimony of the inventor not necessary to show good faith, it may not even be particularly probative on that issue. *See Paragon Podiatry Lab., Inc. v. KLM Labs., Inc.*, 984 F.2d 1182, 1191 (Fed. Cir. 1993).

indicated.[5] This is especially true where, as here, Octel was required to meet a clear and convincing evidentiary standard.[6]

In any case involving intent issues, questions about the propriety of summary judgment are likely to arise. For this reason, this Court should grant the Petition and reaffirm the important principle that, contrary to Octel's assertions and the holdings below, wrongful intent may not be found on summary judgment in the face of substantial evidence supporting the contrary inference.

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[5] *Harlow v. Fitzgerald*, 457 U.S. 800, 816 (1982) ("questions of subjective intent so rarely can be decided on summary judgment"); *Hutchinson v. Proxmire*, 443 U.S. 111, 120 n.9 (1979) ("The proof of 'actual malice' calls a defendant's state of mind into question... and does not readily lend itself to summary disposition."); *see also Hardin v. Pitney-Bowes, Inc.*, 451 U.S. 1008 (1981) (Rehnquist, J., dissenting from denial of petition for writ of certiorari); *White Motor Co. v. United States*, 372 U.S. 253, 259 (1963); *Poller v. Columbia Broadcasting System*, 368 U.S. 464, 473 (1962).

[6] *See Allied Colloids Inc. v. American Cyanamid Co.*, 64 F.3d 1570, 1578 (Fed. Cir. 1995) (inequitable conduct must be proven by clear and convincing evidence); *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255 (1986) ("clear-and-convincing standard of proof should be taken into account in ruling on summary judgment motions").

CONCLUSION

The Petition for a writ of certiorari should be granted.

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